



Bailout Plan Aims to Save Economy: The Right's All Wrong in Blaming Democrats
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By Congressman Barney Frank
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Several right-wing commentators, needing to cover up the obvious damage that their philosophy of extreme deregulation has inflicted on the economy, have constructed a myth in which it is all the fault of the Democrats because Fannie Mae and Freddie Mac were unregulated. Leaving aside the fact that the notion that Fannie Mae and Freddie Mac caused the problems of all these other institutions is a strained one, history is very much against them.

Republicans controlled Congress from 1995 until 2006 (except for a period of about 18 months when the Senate was narrowly controlled by the Democrats). During that period no legislation passed the Congress to increase the regulation of Fannie Mae and Freddie Mac. A bill did pass the House under Republican majority rule in 2005 but President Bush was critical of it and it did not pass the Senate.

In January 2007, I became chairman of the House Financial Services Committee, committed both to reforming Fannie Mae and Freddie Mac and to preserving their role in trying to help affordable housing. Less than three months after the committees were established, the Financial Services Committee, under my chairmanship, passed a bill that substantially increased the degree of regulatory authority over Fannie Mae and Freddie Mac given to the Bush administration. Treasury Secretary Henry Paulson on behalf of the administration welcomed the passage of this bill and asserted that it provided all of the regulatory authority the administration needed.

When the bill was still pending slowly in the Senate, I urged Paulson in January 2008 to include this bill increasing the regulation of Fannie Mae and Freddie Mac in the economic stimulus legislation. The administration declined to do so. Finally, in July, overcoming a couple of Republican filibuster efforts, the bill did pass as part of a larger bill.

So the scorecard is very clear: In 12 years of Republican rule, no bill passed to improve the regulation of Fannie Mae and Freddie Mac. Within four months of Democratic rule, the committee I chaired had produced a bill containing all of the increased regulatory powers the administration requested, and that became law in July. So it took the Democrats 19 months to do what the Republicans didn't do for 12 years, and as chairman of the Financial Services Committee I was the leader in that effort.

By the way, among the more glaring stupidities in the right-wing attack was Bill O'Reilly's asserting that I had spent all this time pounding on the table as chairman of the Financial Services Committee demanding more purchases of low-income mortgages. As I noted, I have been chairman of that committee only since January 2007, and one of the first things I did as chairman was to pass the bill that greatly increased the Fannie Mae and Freddie Mac regulation.

To those who might try to argue inaccurately that this was not tough enough, the fact is that it gave the White House everything it asked for, and the organization known as FM Watch, which organized precisely to try to get changes in the regulation of Fannie Mae and Freddie Mac, disbanded after our bill passed in July because we had accomplished everything they wanted.